

VZCZCXYZ0000
RR RUEHWEB

DE RUEHZP #0184/01 0651538
ZNY CCCCC ZZH
R 061538Z MAR 09
FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC 3078
INFO RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/SECDEF WASHDC
RHMFIA/JOINT STAFF WASHINGTON DC
RHMFIA/CDR USSOUTHCOM MIAMI FL
RHEHAAA/NSC WASHDC

C O N F I D E N T I A L PANAMA 000184

SIPDIS

E.O. 12958: DECL: 03/06/2019
TAGS: ECON PGOV PM PREL
SUBJECT: PANAMA: MARTINELLI'S "GOVERNMENT PLAN FOR CHANGE"

Classified By: Classified by: Ambassador Barbara J. Stephenson for reasons 1.4(b) and (d).

Summary

¶1. (C) Leading presidential candidate Ricardo Martinelli of the Alliance for Change on February 11 released his "Government Plan for Change," that lays out 179 proposals designed to "make a better Panama reach everyone" (que un mejor Panama llegue a todos). The document is flashy, includes big color photographs of the candidate out on the campaign trail engaging with everyday Panamanians, and is well-written and easy to follow. The plan divides Martinelli's agenda into four thematic sections: 1) Social, 2) Economic, 3) Institutional, and 4) the Environment and Natural Resources. High profile policy proposals include:

-- a promise to roll back last year's security reform decree laws, and replace them with a new "Safe Streets" comprehensive security program;
-- a plan to give a \$100 monthly stipend to elderly Panamanians who do not receive a pension;
-- plans to build a new mass transit system in the capital, and
-- a promise "to strengthen democracy and modernize the State," by modifying the constitution to restructure the judicial, legislative, and electoral systems.

The long-anticipated plan, released a few weeks after chief rival Balbina Herrera of the ruling Democratic Revolutionary Party (PRD) presented hers, is designed in part to alleviate concerns that Martinelli lacks a governing strategy. Martinelli's plan touches on the spectrum of Panama's challenges, but gives little depth on many issues, and lacks specifics on the constitutional changes he wants to make. Like Herrera's, the plan lacks discussion of the means to fund its proposals. The plan's overall "change" and outsider rhetoric, high-profile promises, coupled with an emphasis on development through economic and business policies reinforce Martinelli's efforts to cast himself as an unusual political beast: a right-wing populist. Indeed, Martinelli is consciously striving to create a populist movement for change. End summary.

In Hard Times, a "Change" Man

¶2. (SBU) "We know that hard times are coming and the next government will have to face the most serious global economic crisis in 80 years. I'm not perfect, but I know how to generate wealth and employment; and I understand how the economy works, which is what we need to overcome this

crisis," begins Martinelli's "Government Plan for Change," released to the public on February 11. After a short introduction that highlights Martinelli's mantra of bringing change through "the people's" social movement, the 35-page tabloid newspaper-style document breaks down Martinelli's approach into four policy sections:

-- Social,
-- Economic,
-- Institutional, and
-- the Environment and Natural Resources.

The plan is economics-heavy; twice as many pages are dedicated to economic and business proposals than any other section. The layout is basic and easy to follow: each section contains several sub-headings featuring from three to eleven specific proposals. There are a grand total of 179 proposals. The conclusion highlights that economic conditions are ripe in Panama, and that a "good administrator" with public and private sector experience is needed to usher in "better times."

Social Proposals

13. (SBU) Martinelli charges that the Torrijos Administration has not delivered on the people's basic necessities and asserts, "There is no justification for why Panama, with some of the highest indicators of economic growth in the region, shows signs of deterioration in its healthcare, education, and security systems." The Social Section contains the Alliance for Change's proposals on poverty, education, healthcare, and "vulnerable groups." The proposals strive to "change the path of deterioration and set off on the road toward a society that makes possible, without discrimination, a dignified life for all Panamanians." Key goals include: "rescuing" the country's poor by equipping them with quality, "first world" education, improving health standards and life expectancy, and preventing domestic violence and discrimination.

14. (SBU) "Despite advances in the fight against poverty, great inequalities persist in Panama," and the plan seeks to improve upon the status of "so many Panamanians with an uncertain future" through several proposals, including:

-- scholarships to allow children to attend school and receive two hot meals per day;
-- raising minimum salary standards in the most rural areas; and
-- "deepening and strengthening" the Ministry of Social Development's existing Opportunity Network Program.

15. (SBU) According to the Plan, the education system has not received the attention that it deserves, and has reverted to a state of "mediocrity and obsolescence." The Alliance for Change proposes to:

-- design a new long-term education policy;
-- increase internet access in schools, especially in rural areas;
-- improve primary education by: transforming teacher training, encouraging English and information technology instruction, creating Schools of Excellence in each province;
-- decentralize the education system, including the creation of local planning boards;
-- facilitate school attendance by providing scholarships and building dormitories; and
-- create a Ministry of Higher Education.

16. (SBU) Martinelli's healthcare proposals include a variety of programs aimed at improving overall health and better administration, such as:

-- restructuring the public hospital system;
-- new training programs geared toward decentralization of services, improved merit evaluation systems, and a Safe

Hospitals Program to ensure operability during natural disasters;
-- better planning among public health providers to improve efficiency;
-- developing nutrition, anti-drug, exercise, and sex and reproductive health education programs; and
-- implementing a Certification and Re-certification Law to ensure healthcare providers are properly trained.

¶17. (SBU) Programs designed to reduce discrimination and protect the elderly fall under the "Vulnerable Groups" section. Proposals include to:

-- provide a \$100 stipend to elderly citizens who do not receive a pension (Comment: The Plan does not specify a recipient age, but Martinelli advertisements stipulate that the bonus will go to those over 70);
-- launch the Housewife Support Program, designed to integrate housewives into the labor market;
-- revise national legislation to eliminate any parts considered exclusionary, and introduce new anti-discrimination standards; and
-- establish a Ministry for Indigenous Affairs (Ministerio Indigena), responsible for creating a five-year plan to address problems facing indigenous populations.

Economic Proposals

¶18. (SBU) The plan argues, "The great majority of Panamanians do not perceive any benefit from the economic growth; on the contrary, the situation for some has noticeably worsened. (This stems from) politicians putting personal and partisan interests ahead of the interests of the country and their continuing lack of interest to solve the people's problems; (they are unable) to resolve problems because they don't understand how the economy works." The economic section is the most extensive of the four, and includes proposals on job creation, re-vitalization of agriculture, tax reform, small and medium-sized business, infrastructure, tourism, maritime business activities, competitiveness, and technological innovation. Policy goals include "ensuring that more money is at Panamanians' disposal so they can attend to their necessities with dignity," reducing consumer costs, and raising salaries. The following are highlights from the nine economic subsections.

¶19. (SBU) "Private investment is the main tool for job creation; however, the children of poor families or of parents with little education are condemned to miss out on the benefits of the economic growth, creating a vicious cycle that we should break." Job creation policies include to:

-- create three new programs aimed at youth training and employment (i.e. internship-type programs, youth academic preparation programs);
-- establish industrial parks for specialized activities such as pharmaceuticals and microchip production; and
-- strengthening "labor intensive" tourism activities.

¶10. (SBU) "To achieve food security, we must carry out a State Agenda that allows the modernization of agricultural, forestry, and livestock activities," and Martinelli's plan seeks to "reclaim the land for the benefit of all, and especially for marginal populations in remote areas." Policies designed to modernize agriculture include:

-- creating the National Land Institute to provide free land titling services; and
-- supporting agricultural export industries through by creating a new office tasked with promoting products for exportation, and a group to negotiate competitive tariffs.

¶11. (SBU) The plan argues that a simplified and fair taxation system is "of vital importance to the reactivation of the economy. The Martinelli Administration is committed to the revision and simplification of our tax legislation in order

to achieve equity in tax payments with greater attention to the contributor." Key proposals include:

-- lowering the maximum income tax rate to 20%, granting a \$600 per child tax credit, and maintaining the tax amnesty policy for those making less than \$10,000 per year; and
-- a flat tax for businesses.

¶12. (SBU) The Infrastructure section argues that Panama should make use of its high economic growth to solidify its infrastructure development, and points out the asymmetry of a capital city "full of luxury skyscrapers, but facing a population lacking decent housing; the lack of good planning holds back the growth of the country." Martinelli aims to "give a new face to the capital and the rest of the country" through policies to:

-- assign the necessary resources to provide universal home access to potable water;
-- begin an aggressive home construction program to reduce the "housing deficit," cited at over 150,000;
-- build roads between cities to increase connectivity and tourism;
-- expand the network of international airports;
-- provide free wireless internet access to the whole country; and
-- replace the capital's present electric, telephone, and cable lines with an underground system.

¶13. (SBU) "The Grand Alliance for Change has special interest in strengthening the tourism industry ... in order to generate dividends to be reinvested in social and economic benefits for the population." To do this, the plan calls for:

-- countering the negative effects of the global financial crisis, by following the Master Plan for Sustainable Development of Tourism, 2007-2020;
-- creating a Special Office for Tourism Investment to avoid bureaucratic delays;
-- providing incentives for rural, medical, and eco-tourism development; and
-- addressing security problems that affect tourism by creating a special airport security unit, strengthening the Tourism Police, and increasing security on airport roads.

¶14. (SBU) According to Martinelli's plan, "maritime activities" represent 20% of Panama's GDP. Goals include converting Panama into the region's top resource for maritime logistics through the provision of efficient and competitive services to international business though proposals to:

-- update the National Maritime Strategy, and establish a "National Consulting Council for Maritime Affairs;"
-- make budget provisions for a building to house all the Panama Maritime Authority (AMP) offices under one roof and be accessible to the public 24 hours a day; and
-- improve instruction at the Maritime University and provide more scholarships for poor students.

Institutional Proposals

¶15. (SBU) This section contains proposals on public security, urban transportation, governability, corruption, and foreign policy. The main goal of the proposals is to "fill the void that has impeded Panama from becoming a 'Modern State' where compliance with the law and judicial order prevail." Key proposals are as follows.

¶16. (SBU) The Public Security sub-heading acknowledges polls that reveal that insecurity is the most troublesome issue facing Panamanians. Martinelli's response is a National Citizen Security Plan, called "Safe Streets" (Calles Seguros), a program designed to address the many facets of security, including prevention, re-socialization of offenders, and "the establishment of a society where law and order prevails." Key security proposals include to:

-- "replace the anti-democratic, militaristic Decree Laws with the Safe Streets plan;"
-- modify the penal code to "fight criminal impunity," and provide more resources to the Public Ministry and the judicial system to help speed investigation and prosecution;
-- increase police salaries, boost police presence on the streets, and set up more "technical vigilance equipment;"
-- create an Internal Affairs Unit to monitor the professional and transparent conduct of security personnel; and
-- promote a Citizen Watch Program (to be funded by seized money laundering and drug money).

¶17. (SBU) "Urban transportation has become one of the most critical problems in Panamanian society and it is imperative to remove politics from transportation and to establish a fast, comfortable, and safe mass transit system." Martinelli's plan calls for:

-- requesting bids for construction of a mass transit system within the first six months of his administration; and
-- stricter enforcement of existing traffic laws, and using cameras to catch violators.

(Comment: Mass public transit in Panama City consists of a fleet of independently-operated old U.S. school buses, called "Red Devils" (Diablos Rojos), that are infamous for hazardous driving. While the text of the Government Plan does not specify the type of mass transit system to be constructed, it includes "illustrative photos" of light-rail train cars. Martinelli has publicly advocated building a Metro.)

¶18. (SBU) The plan defines "Governability" as the "juridical-political condition that ... allows the balanced and effective execution of government duties;" but that "Panama has not been able to reach this balance and the mistrust among the government and citizens is obvious." Proposals to fix this relationship are to:

-- facilitate governability and "to strengthen democracy and modernize the State," by making "the necessary modifications" to the constitution in order to restructure the judicial, legislative, and electoral systems;
-- change the method of selecting Supreme Court Magistrates to be based on an assessment of the "capabilities, professionalism, and moral solvency of the candidates;" and
-- public servant training programs on human rights practices.

¶19. (SBU) Concerning corruption, Martinelli argues, "The people want to know how their tax money is spent, and they reject the abuse of public funds...corruption weakens moral and ethical standards to the point that it affects all of society and particularly the development of new leaders." Anti-corruption proposals include to:

-- eliminate the Social Investment Fund and remove the budget from the Office of the First Lady;
-- expand the Transparency Node to include information on salary, expenses, and use of state property on all government officials, including the president; and
-- create an Investigation Unit to assist the existing Anti-Corruption Secretariat.

¶20. (SBU) The plan argues that Panama plays a lead role in international politics, given its enviable geographic position. Panama's foreign policy is largely geared toward improving its trade relations and foreign investment, and Martinelli wants to equip Panama's diplomatic posts with the resources to facilitate this effort. The plan notes, "In the interest of gaining more benefits from future free trade agreements, we will encourage measures to encourage incentives for foreign investment." These policies include:

-- an assessment of foreign missions to assist with reapportionment of diplomatic personnel;
-- to promote measures that allow incentives for foreign investment; and
-- to make the necessary efforts to join the Asia-Pacific

Economic Cooperation (APEC).

Environment and Natural Resources Proposals

¶21. (SBU) The Environment and Natural Resources section includes proposals covering energy policy, urban policy, conservation of protected areas, and environmental policy. The Plan recognizes that environmental degradation must be addressed, and embraces "a development style that respects the natural and social environments, where today's generation can satisfy its necessities without putting at risk the capacity of future generations to satisfy theirs." The Plan dubs this approach Sustainable Development.

¶22. (SBU) Energy Policy proposals seek to confront the high cost of living by relying more on Panama's own natural resources for electricity-generation, including:

- by "making better use of the 49% of state involvement in electricity generation" to favor construction of new hydroelectric facilities;
- bring the use of renewable resources (i.e. hydro, solar, wind, biomass and others) to 80% of total energy generation; and
- lower energy demand by 10% through incentives to businesses using energy efficient technology.

¶23. (SBU) The Urban Planning sub-section outlines proposals to "convert our cities into safe and pleasant places to live, that put the citizen first with good public transportation, well-maintained streets and sidewalks, and good public services such as sewage, water treatment and electricity," such as to:

- establish in all urban areas a solid-waste disposal system based on "pyrolysis" methods of electricity generation;
- promote the use of hybrids and automobiles powered by bio-fuels; revised emission standards; and
- boosting projects to clean the Bay of Panama, and water-cleaning projects in several cities.

¶24. (SBU) About 34% of Panamanian land is considered "protected," but much of it lacks incorporation into the overall economy, according to Martinelli. Proposals to incorporate this territory that are compatible with the principles of conservation include:

- better titling to end land disputes; and
- promote cooperation among landowners and the private sector in ecotourism and sustainable production projects.

¶25. (SBU) Proposals to prevent the loss of biodiversity and preserve natural forests include:

- deforestation reduction efforts, such as revision of the Agrarian Code, government support to landowners for regeneration, and direct reforestation projects; and
- promotion of sustainable lumber usage, such as for use in finished products for export.

¶26. (SBU) The final sub-section outlines "a government-led 'Cultural Change' needed to harmonize society and its natural surroundings, to facilitate relations between the government, the private sector, civil society, and the community." To reach the goal of Sustainable Development, proposals include:

- strengthening the National Environmental Authority (ANAM), the leader of government institutions covering environmental policy, laws, and regulation; and
- to create the National Sustainable Development Council, comprised of private sector and NGO representatives, as a mechanism for consultation and coordination on the environment.

¶27. (C) The plan is a 179 point wishlist designed to show that Martinelli and his Alliance for Change have been thinking about what they want to do to improve Panama, and to add substance to their "change" mantra. The Plan was released with much fanfare -- leaders of the five allied parties wearing matching shirts featuring the plan's logo were all on hand at the February 11 ceremony -- and an advertising campaign to showcase the higher-profile contents of the plan has followed. A shortcoming of the plan is that in many cases, it lacks consideration of how the proposed changes would be carried out. Especially glaring is the lack of specifics on proposed constitutional changes that are mentioned breezily as a means to re-vamp three fundamental systems of government. The plan physically looks good; it is colorful, attractive to the eye and is easy to follow, in contrast to Herrera's more sterile and technical plan. Martinelli's plan, however, is short on social programs to directly benefit the poor, a strong suit of Herrera's plan. The page dedicated to "the fight against poverty," for example, contains six proposals, but is dominated by a photograph of Martinelli handing out a plate of rice (to presumably needy people). Instead of direct poverty-reduction programs, Martinelli highlights his business-oriented approach to development, and twice the space is dedicated to the economic section than any other.

Comment

¶28. (C) Martinelli maintains a wide lead in the polls. He has given us his policy playbook, but it is not clear on how he intends to go about implementing it. The proposals are generally well-intentioned, but would carry more weight if the plan featured more explanation on sources of funding, implementation, and the political partnerships he intends to forge to see them through. Panama lacks a professional civil service; a mass house-cleaning may come with the new president, who would then need to build up a new bureaucratic apparatus. In response to this expectation, the Martinelli campaign took out a full-page ad in *La Estrella*, a leading national daily newspaper, refuting the "rumors that (the Alliance for Change) would kick out all public servants." The ad goes on to state that the Alliance will "change the PRD government mentality of sweeping aside anyone who is not of their party; we will govern with the best, wherever they come from, as long as they put the interests of the people first." Nonetheless, lacking an established party base, Martinelli may struggle to find good help. He has the support of his coalition parties on paper, but it is unclear how loyal these partners would be down the road with Martinelli at the helm.

¶29. (C) The Martinelli plan's flash appeal and one-upmanship on Herrera's plan that lacked panache shows again that he is winning in the style category. Substantively, Martinelli's plan does not break new ground. (Even constitutional reform has been knocking around for years as the opposition desires to cleanse the existing constitution of the last remnants of the military dictatorship that drafted the current magna carta.) The bottom line in the campaign is to convince the electorate that a candidate can be trusted to follow through on the grand promises coming from both camps. Martinelli's pitch that he will follow through by way of business-oriented development and that a break from the status quo is necessary to achieve it. Martinelli is selling himself as a no-nonsense outsider who can get things done by shaking up the system; this approach to the election, coupled with his background and government plan steeped in business-oriented social development, suggests that he is painting himself as a right-wing Populist. His campaign has focused on setting himself apart from the traditional party system -- or the other side of the coin to Herrera's campaign based on continuity of PRD stewardship and tradition. The real story of Martinelli's platform is not the substance of policy proposals, but rather his challenge to shake up Panama's political system, infuse it with a change dynamic, and

re-cast the way Panama is governed. These have been winning campaign tactics, less clear is whether Martinelli's brand of populism will translate into a successful governing model.

STEPHENSON